

BOARD OF WATERWORKS AND  
ELECTRIC LIGHT AND POWER PLANT TRUSTEES - ATLANTIC, IOWA  
D/B/A ATLANTIC MUNICIPAL UTILITIES

INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES

YEARS ENDED DECEMBER 31, 2020 AND 2019

# ATLANTIC MUNICIPAL UTILITIES

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ATLANTIC MUNICIPAL UTILITIES  
Officials  
December 31, 2020

Trustees

Term Expires

Joanne C. Lorence, Chairperson

April, 2023

Ted E. Robinson, Vice-Chairperson

April, 2021

Judd J. Meneely

April, 2025

Dave E. Sturm

April, 2021

Katherine L. Smith

April, 2023

Management Personnel

General Manager

Steve J. Tjepkes

Comptroller

Jennifer M. Saathoff

Director of Electric Operations

Todd D. Friesleben

Director of Water Operations

Mitch J. Burg

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Board of Waterworks and  
Electric Light and Power Plant Trustees  
d/b/a Atlantic Municipal Utilities  
Atlantic, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and each major fund of Atlantic Municipal Utilities (a component unit of the City of Atlantic, Iowa) which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Atlantic Municipal Utilities as of December 31, 2020 and 2019, and the respective changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees  
Board of Waterworks and  
Electric Light and Power Plant Trustees  
d/b/a Atlantic Municipal Utilities

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Schedule of Changes in the Utilities' Total OPEB Liability, Related Ratios and Notes, the Schedule of the Utilities' Proportionate Share of the Net Pension Liability, and the Schedule of Utilities' Contributions and on pages 4 through 4g and on pages 38 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Atlantic Municipal Utilities' basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the basic financial statements for the three years ended December 31, 2018 (which are not presented herein) and expressed unmodified opinions on those basic financial statements. The supplementary information on pages 1 and 43 through 53 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2021 on our consideration of Atlantic Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Atlantic Municipal Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Atlantic Municipal Utilities' internal control over financial reporting and compliance.

*Carne W. Hall, Dena, Kynan & Co. P.C.*

Atlantic, Iowa  
March 4, 2021



## Atlantic Municipal Utilities

### **Management's Discussion and Analysis Audited Financial Statements Years Ended December 31, 2020 and 2019**

*This section of the Utility's annual Financial Statements presents an analysis of the Utility's financial performance during the calendar year ended December 31, 2020. This information is presented in conjunction with the audited basic financial statements, which follow this section. The Utility is organized into two operating departments, electric and water. This discussion and analysis points out the highlights of each department.*

#### **FINANCIAL HIGHLIGHTS FOR 2020**

- The Electric Department's net position increased by \$2,560,070, or 8.7%, from \$29,484,739 to \$32,044,809. The Water Department's net position (including contributions in aid of construction) increased by \$159,704, or 3.3%, from \$4,864,122 to \$5,023,826.
- Electric Department operating revenues decreased 4.0% to \$13,264,898, while operating expenses decreased 7.4% to \$10,737,026.
- Water Department operating revenues increased 7.3% to \$1,448,300, while operating expenses decreased 1.5% to \$1,304,030.
- The Electric Department delivered approximately 179,416,000 kilowatt hours (kWh) of electricity to its retail customers in 2020, compared to approximately 182,944,000 kWh in 2019, a 1.9% decrease.
- The Water Department delivered approximately 244,153,000 gallons of water to its retail customers in 2020, compared to approximately 227,566,000 gallons in 2019, a 7.3% increase.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements of the Utility report information utilizing generally accepted accounting practices for electric and water utilities. In general, these practices follow the Federal Energy Regulatory Commission's (FERC) prescribed Uniform System of Accounts for the Electric Department. Practices for the Water Department follow suggested guidelines from the National Association of Regulatory Commissioners (NARUC). There are three major reports for each Department.

The *Statements of Net Position* include each Department's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. They provide information about the nature and amounts of investments in resources (assets) and the obligations to Utility creditors (liabilities). They also provide the basis for making a variety of financial assessments about the Utility's financial position. Supporting schedules of the Department's debt are included in the "Supplementary Information" section of the report.

The *Statements of Revenues, Expenses and Changes in Net Position* provide information about each Department's revenues and expenses. This report measures the success of the Department's operations. It can be used to determine whether the Department has successfully recovered all its costs through its rates, fees and other forms of revenues. It also provides a measure of the Department's, and Utility's, profitability and creditworthiness. Details of the Department's revenues and expenses are included in the "Supplementary Information" section of the report. This statement also provides information about the equity, or net position, of the Department.

The *Statements of Cash Flows* provide information about each Department's cash receipts, cash disbursements, and net changes in cash resulting from operating, noncapital financing, capital and related financing and investing activities. These statements indicate where each Department's cash came from, how it was used, and the change in cash balances during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Utilities' accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events.

Additional information regarding AMU's financial and operating status are contained in the *Required Supplementary Information*, and *Supplementary Information*. These sections of the report provide information including comparisons of budgeted versus actual expenditures, details regarding long-term debt outstanding, and a number of supporting schedules.

The *Comments and Recommendations* section of the report comments on AMU's internal control and compliance with various state statutes.

## CONDENSED FINANCIAL INFORMATION – ELECTRIC DEPARTMENT

The following condensed financial information of the Electric Department serves as the key financial data and indicators for management, monitoring, and planning.

### **Electric Department**

#### **Condensed Statements of Net Position**

	Electric Department	
	2020	2019
Current Assets	\$ 3,744,141	\$ 3,907,950
Capital Assets, net	23,371,985	23,299,830
Other Assets	11,882,787	9,867,734
Total Assets	<u>38,998,913</u>	<u>37,075,514</u>
Deferred Outflows of Resources	<u>346,277</u>	<u>438,985</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 39,345,190</u>	<u>\$ 37,514,499</u>
Current Liabilities	\$ 1,968,989	\$ 1,990,118
Other Liabilities	1,786,862	1,873,835
Long-Term Debt	3,302,530	4,035,807
Total Liabilities	<u>7,058,381</u>	<u>7,899,760</u>
Deferred Inflows of Resources	242,000	130,000
Net Investment in Capital Assets	19,247,481	18,629,830
Restricted	1,936,656	1,927,637
Unrestricted	10,860,672	8,927,272
Total Net Position	<u>32,044,809</u>	<u>29,484,739</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 39,345,190</u>	<u>\$ 37,514,499</u>



**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	Electric Department	
	2020	2019
Sale of Electricity	\$ 12,335,826	\$ 12,926,217
Other Operating Revenue	929,072	895,963
Total Operating Revenue	13,264,898	13,822,180
Electric Production & Purchased Power	5,265,821	6,182,212
Transmission & Distribution	2,589,981	2,332,718
Administrative & Accounting	1,468,691	1,599,286
Provision for Depreciation	1,412,533	1,475,000
Total Operating Expense	10,737,026	11,589,216
Income from Operations	2,527,872	2,232,964
Interest Expense	(114,823)	(128,864)
Other, net	147,021	105,118
Total Non-Operating Revenue (Expense)	32,198	(23,746)
Change in Net Position	2,560,070	2,209,218
Net Position, Beginning of Year	29,484,739	27,275,521
Net Position, End of Year	\$ 32,044,809	\$ 29,484,739

**FINANCIAL ANALYSIS OF THE ELECTRIC DEPARTMENT**

Current Assets decreased \$163,809 or 4.2%, to \$3,744,141 in 2020. Cash decreased \$258,842 to \$1,967,777 at December 31, 2020. Receivables decreased \$3,926 to \$700,872 at December 31, 2020. Inventory, which includes materials and fuel stock (primarily coal inventories at Walter Scott Generating Station Unit 3), increased \$97,028, or 11.6%, at December 31, 2020.

Annual capital expenditures totaled \$1,489,412 in 2020. In addition, depreciation expense and net capital retirements totaled \$1,402,743, thus Net Capital Assets increased by \$72,155 to \$23,371,985 at December 31, 2020. The Electric Department's net annual capital additions were funded with cash generated from operations.

Other Assets increased \$2,015,053, to \$11,882,787. Excess cash generated from operations of \$2,007,129 was transferred to Other Assets and designated for future capital expenditures.

The Deferred Outflow of Resources of \$346,277 at December 31, 2020 consists of \$38,277 of deferred refunding cost due to the advance refunding of the 2007 Capital Loan Notes and \$308,000 of deferred pension costs.

Current Liabilities decreased \$21,129, or 1.1%, to \$1,968,989 at December 31, 2020.

Other Liabilities decreased \$86,973 to \$1,786,862 at December 31, 2020. The decrease was primarily due to the Utility's Net Pension Liability, which decreased \$144,000, to \$1,259,000.

Total Long-Term Debt of the Electric Department decreased \$733,277, to \$3,302,530, as the current portion of the Long-Term Debt was transferred to Current Liabilities during the year.

The Deferred Inflows of Resources of \$242,000 at December 31, 2020 consists of deferred inflows arising from events related to pensions recorded in accordance with GASB Statement No. 68.

Total Sales of Electricity decreased \$590,391, or 4.6%, to \$12,335,826 in 2020. Retail Electricity Sales decreased \$274,630, or 2.2%, to \$12,364,792 with retail kWh sales decreasing 1.9%. Net Midcontinent Independent System Operator (MISO) Purchases increased \$276,368 in 2020 to \$420,541 compared to net energy purchases from MISO of \$144,173 in 2019. The Utility sells generation from its share of the jointly owned W/S#3 plant directly into the MISO market and purchases any local power needs above current purchase power contract requirements from MISO. Current use charges are shown net of these MISO power purchases. MISO market prices decreased approximately 17% at the W/S#3 plant from a year ago resulting in lower energy sales and less energy being generated and sold into the MISO market.

Other operating revenue increased by \$33,109, or 3.7%, to \$929,072 in 2020. The Utility is a transmission owner in MISO and receives revenue from MISO for its share of transmission revenue collected by MISO. These transmission revenue collections increased \$7,357, to \$795,020, in 2020.

Electric production & purchased power expenses decreased \$916,391, or 14.8%, to \$5,265,821. Lower fuel (coal) costs of \$420,649 were due to decreased generation at the W/S#3 plant, and there was also a decrease of \$498,703 in purchased power costs.

Transmission & Distribution expenses increased \$257,263, or 11.0%, to \$2,589,981 in 2020.

Administrative and Accounting expenses decreased \$130,595, or 8.2%, to \$1,468,691 in 2020.

Net Non-Operating Revenue was \$32,198 in 2020. In 2019, there was a loss on disposal of equipment of \$73,349, which resulted in a Net Non-Operating Expense of \$23,746 a year ago.

The Electric Department's increase in net position for the year was \$2,560,070, compared to a net increase of \$2,209,218 in 2019.

## CONDENSED FINANCIAL INFORMATION – WATER DEPARTMENT

The following condensed financial information of the Water Department serves as the key financial data and indicators for management, monitoring, and planning.

	Water Department	
	2020	2019
Current Assets	\$ 496,983	\$ 504,129
Capital Assets, net	4,258,634	4,324,099
Other Assets	1,417,783	1,188,503
Total Assets	6,173,400	6,016,731
Deferred Outflows of Resources	84,000	103,000
Total Assets and Deferred Outflows of Resources	\$ 6,257,400	\$ 6,119,731
Current Liabilities	\$ 299,299	\$ 315,407
Other Liabilities	380,420	412,347
Long-Term Debt	495,855	495,855
Total Liabilities	1,175,574	1,223,609
Deferred Inflows of Resources	58,000	32,000
Net Investment in Capital Assets	3,762,779	3,828,244
Contributions in Aid of Construction	891,666	921,832
Unrestricted	369,381	114,046
Total Net Position	5,023,826	4,864,122
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 6,257,400	\$ 6,119,731

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	Water Department	
	2020	2019
Sale of Water	\$ 1,391,155	\$ 1,292,512
Other Operating Revenue	57,145	57,562
Total Operating Revenue	1,448,300	1,350,074
Source of Supply, Pumping & Treatment	245,967	262,944
Distribution	291,175	273,165
Administrative & Accounting	561,431	583,710
Provision for Depreciation	205,457	203,980
Total Operating Expense	1,304,030	1,323,799
Income from Operations	144,270	26,275
Interest Expense	(462)	(478)
Other, net	14,066	22,752
Total Non-Operating Revenue (Expense)	13,604	22,274
Change in Net Position	157,874	48,549
Contributions in Aid of Construction	1,830	195
Net Position, Beginning of Year	4,864,122	4,815,378
Net Position, End of Year	\$ 5,023,826	\$ 4,864,122

**FINANCIAL ANALYSIS OF THE WATER DEPARTMENT**

Current Assets decreased \$7,146, or 1.4%, to \$496,983 at December 31, 2020. Cash decreased \$16,053 as excess cash was transferred to reserve funds, which are included in Other Assets.

Annual capital expenditures totaled \$139,992 in 2020. Depreciation expense and capital retirements totaled \$205,457, thus Net Capital Assets decreased by \$65,465 to \$4,258,634 at December 31, 2020. The Water Department's capital additions were funded with cash generated from operations, and no additional debt was issued.

Other Assets increased \$229,280, to \$1,417,783 in 2020. Excess cash generated from operations was transferred to Other Assets and designated for future capital expenditures.

The Deferred Outflow of Resources, consisting of deferred pension costs, decreased \$19,000 to \$84,000 at December 31, 2020.

Total Assets and Deferred Outflows of Resources increased \$137,669, or 2.2%, to \$6,257,400 at December 31, 2020.

Current Liabilities decreased \$16,108, or 5.1%, to \$299,299 at December 31, 2020.

Other Liabilities decreased \$31,927, or 7.7%, to \$380,420 at December 31, 2020. The Net Pension Liability for the Utilities' share of unfunded liabilities with the Iowa Public Employees Retirement System (IPERS) decreased \$34,000. In addition, the Other Post-Employment Benefits (OPEB) liability increased \$10,571 in 2020.

Total Operating Revenue increased \$98,226, or 7.3%, to \$1,448,300 in 2020. Sales of water increased \$98,643, or 7.6%, while water gallons sold increased 7.3% to 244.2 million gallons sold.

Total Operating Expenses for the Water Department decreased \$19,769, or 1.5%, to \$1,304,030 in 2020.

Non-operating revenues netted to a \$13,604 increase to income from operations in 2020, compared to a \$22,274 increase in 2019.

The Water Department's change in net position for the year (including contributions in aid of construction) was \$159,704, compared to a net change of \$48,744 in 2019.

### **Contacting Financial Management**

This financial report is designed to provide AMU's customers and creditors with a general overview of Atlantic Municipal Utilities' finances and operations. If you have questions about this report, contact AMU's Comptroller at AMU, P.O. Box 517; 15 West Third Street; Atlantic, Iowa 50022; or e-mail [jsaathoff@amu1.net](mailto:jsaathoff@amu1.net) or call 712-243-1395.

The General Manager can be contacted at the same address and phone, or by e-mail at [stjepkes@amu1.net](mailto:stjepkes@amu1.net).

ATLANTIC MUNICIPAL UTILITIES  
Statements of Net Position  
December 31, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Electric</u>	<u>Water</u>	<u>Total</u>
Capital Assets - net of depreciation	\$ 23,371,985	\$ 4,258,634	\$ 27,630,619
Special Purpose Funds:			
Restricted funds	1,936,656	--	1,936,656
Board designated funds	9,266,122	1,417,783	10,683,905
Total special purpose funds	<u>11,202,778</u>	<u>1,417,783</u>	<u>12,620,561</u>
Current Assets:			
Cash	1,967,777	180,524	2,148,301
Accounts receivable	693,551	222,482	916,033
Other receivables	7,321	3,526	10,847
Inventory	931,627	54,439	986,066
Prepaid expenses	143,865	36,012	179,877
Total current assets	<u>3,744,141</u>	<u>496,983</u>	<u>4,241,124</u>
Other Assets:			
Note receivable - Water	495,855	--	495,855
Electric project investments	184,154	--	184,154
Total other assets	<u>680,009</u>	<u>--</u>	<u>680,009</u>
Total assets	38,998,913	6,173,400	45,172,313
Deferred Outflows of Resources	<u>346,277</u>	<u>84,000</u>	<u>430,277</u>
Total assets and deferred outflows of resources	<u>\$ 39,345,190</u>	<u>\$ 6,257,400</u>	<u>\$ 45,602,590</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Long-Term Debt, less current maturities	\$ 3,302,530	\$ 495,855	\$ 3,798,385
Net Pension Liability	1,259,000	244,000	1,503,000
Current Liabilities:			
Current maturities of long-term debt	733,277	--	733,277
Accounts payable	902,667	249,847	1,152,514
Accrued employee compensation	160,512	40,674	201,186
Accrued expenses	149,019	8,778	157,797
Accrued interest	23,514	--	23,514
Total current liabilities	<u>1,968,989</u>	<u>299,299</u>	<u>2,268,288</u>
Other Liabilities:			
Consumer deposits	65,296	16,845	82,141
Reserve for employees' retirement	114,484	35,246	149,730
Accrued OPEB	348,082	84,329	432,411
Total other liabilities	<u>527,862</u>	<u>136,420</u>	<u>664,282</u>
Total liabilities	7,058,381	1,175,574	8,233,955
Deferred Inflows of Resources - Pension	242,000	58,000	300,000
Net Position:			
Invested in capital assets, net of related debt	19,247,481	3,762,779	23,010,260
Contributions in aid of construction	--	891,666	891,666
Restricted - expendable	1,936,656	--	1,936,656
Unrestricted	10,860,672	369,381	11,230,053
Total net position	<u>32,044,809</u>	<u>5,023,826</u>	<u>37,068,635</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 39,345,190</u>	<u>\$ 6,257,400</u>	<u>\$ 45,602,590</u>

The accompanying notes are an integral part of these statements.

ATLANTIC MUNICIPAL UTILITIES  
Statements of Net Position  
December 31, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Electric	Water	Total
Capital Assets - net of depreciation	\$ 23,299,830	\$ 4,324,099	\$ 27,623,929
Special Purpose Funds:			
Restricted funds	1,927,637	--	1,927,637
Board designated funds	7,260,088	1,188,503	8,448,591
Total special purpose funds	9,187,725	1,188,503	10,376,228
Current Assets:			
Cash	2,226,619	196,577	2,423,196
Accounts receivable	687,766	208,160	895,926
Other receivables	17,032	6,798	23,830
Inventory	834,599	56,681	891,280
Prepaid expenses	141,934	35,913	177,847
Total current assets	3,907,950	504,129	4,412,079
Other Assets:			
Note receivable - Water	495,855	--	495,855
Electric project investments	184,154	--	184,154
Total other assets	680,009	--	680,009
Total assets	37,075,514	6,016,731	43,092,245
Deferred Outflows of Resources	438,985	103,000	541,985
Total assets and deferred outflows of resources	\$ 37,514,499	\$ 6,119,731	\$ 43,634,230

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Long-Term Debt, less current maturities	\$ 4,035,807	\$ 495,855	\$ 4,531,662
Net Pension Liability	1,403,000	278,000	1,681,000
Current Liabilities:			
Current maturities of long-term debt	718,277	--	718,277
Accounts payable	852,616	256,204	1,108,820
Accrued employee compensation	215,638	49,164	264,641
Accrued expenses	176,548	10,039	186,748
Accrued interest	27,039	--	27,039
Total current liabilities	1,990,118	315,407	2,305,525
Other Liabilities:			
Consumer deposits	62,860	17,096	79,956
Reserve for employees' retirement	107,975	43,493	151,468
Accrued OPEB	300,000	73,758	373,758
Total other liabilities	470,835	134,347	605,182
Total liabilities	7,899,760	1,223,609	9,123,369
Deferred Inflows of Resources - Pension	130,000	32,000	162,000
Net Position:			
Invested in capital assets, net of related debt	18,629,830	3,828,244	22,458,074
Contributions in aid of construction	--	921,832	921,832
Restricted - expendable	1,927,637	--	1,927,637
Unrestricted	8,927,272	114,046	9,041,318
Total net position	29,484,739	4,864,122	34,348,861
Total liabilities, deferred inflows of resources and net position	\$ 37,514,499	\$ 6,119,731	\$ 43,634,230

The accompanying notes are an integral part of these statements.

ATLANTIC MUNICIPAL UTILITIES  
Statements of Revenues, Expenses and Changes in Net Position  
Year ended December 31, 2020

	<u>Electric</u>	<u>Water</u>	<u>Total</u>
Operating Revenue:			
Current use charges	\$ 11,944,251	\$ 1,288,052	\$ 13,232,303
Services provided to the City	<u>391,575</u>	<u>103,103</u>	<u>494,678</u>
	12,335,826	1,391,155	13,726,981
Other operating revenue	<u>929,072</u>	<u>57,145</u>	<u>986,217</u>
Total operating revenue	13,264,898	1,448,300	14,713,198
Operating Expenses:			
Electric production/Water source of supply	1,795,117	45,223	1,840,340
Electric purchased power/Pumping	3,470,704	81,697	3,552,401
Electric transmission/Water treatment	1,492,627	119,047	1,611,674
Distribution expense	1,097,354	291,175	1,388,529
Administrative and accounting	1,468,691	561,431	2,030,122
Depreciation	<u>1,412,533</u>	<u>205,457</u>	<u>1,617,990</u>
Total operating expenses	10,737,026	1,304,030	12,041,056
Operating Income	2,527,872	144,270	2,672,142
Non-Operating Revenues (Expenses):			
Income from investments	137,231	14,066	151,297
Interest expense on revenue notes	( 113,011)	--	( 113,011)
Gain on disposal of equipment	9,790	--	9,790
Other interest expense	<u>( 1,812)</u>	<u>( 462)</u>	<u>( 2,274)</u>
Non-operating revenues (expenses), net	32,198	13,604	45,802
Net Income	2,560,070	157,874	2,717,944
Contributions in Aid of Construction	<u>--</u>	<u>1,830</u>	<u>1,830</u>
Increase in Net Position	2,560,070	159,704	2,719,774
Net Position, Beginning of Year	<u>29,484,739</u>	<u>4,864,122</u>	<u>34,348,861</u>
Net Position, End of Year	<u>\$ 32,044,809</u>	<u>\$ 5,023,826</u>	<u>\$ 37,068,635</u>

The accompanying notes are an integral part of these statements.



ATLANTIC MUNICIPAL UTILITIES  
Statements of Revenues, Expenses and Changes in Net Position  
Year ended December 31, 2019

	<u>Electric</u>	<u>Water</u>	<u>Total</u>
Operating Revenue:			
Current use charges	\$ 12,495,249	\$ 1,190,581	\$ 13,685,830
Services provided to the City	<u>430,968</u>	<u>101,931</u>	<u>532,899</u>
	12,926,217	1,292,512	14,218,729
Other operating revenue	<u>895,963</u>	<u>57,562</u>	<u>953,525</u>
Total operating revenue	13,822,180	1,350,074	15,172,254
Operating Expenses:			
Electric production/Water source of supply	2,212,805	60,609	2,273,414
Electric purchased power/Pumping	3,969,407	81,479	4,050,886
Electric transmission/Water treatment	1,301,480	120,856	1,422,336
Distribution expense	1,031,238	273,165	1,304,403
Administrative and accounting	1,599,286	583,710	2,182,996
Depreciation	<u>1,475,000</u>	<u>203,980</u>	<u>1,678,980</u>
Total operating expenses	11,589,216	1,323,799	12,913,015
Operating Income	2,232,964	26,275	2,259,239
Non-Operating Revenues (Expenses):			
Income from investments	160,767	22,752	183,519
Grant revenue	17,700	--	17,700
Interest expense on revenue notes	( 127,037)	--	( 127,037)
Loss on disposal of equipment	( 73,349)	--	( 73,349)
Other interest expense	<u>( 1,827)</u>	<u>( 478)</u>	<u>( 2,305)</u>
Non-operating revenues (expenses), net	( 23,746)	22,274	( 1,472)
Net Income	2,209,218	48,549	2,257,767
Contributions in Aid of Construction	<u>--</u>	<u>195</u>	<u>195</u>
Increase in Net Position	2,209,218	48,744	2,257,962
Net Position, Beginning of Year	<u>27,275,521</u>	<u>4,815,378</u>	<u>32,090,899</u>
Net Position, End of Year	<u>\$ 29,484,739</u>	<u>\$ 4,864,122</u>	<u>\$ 34,348,861</u>

The accompanying notes are an integral part of these statements.

ATLANTIC MUNICIPAL UTILITIES  
Statements of Cash Flows  
Year ended December 31, 2020

	<u>Electric</u>	<u>Water</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from consumers	\$ 12,356,705	\$ 1,381,054	\$ 13,737,759
Cash paid to suppliers	( 7,981,507)	( 700,292)	( 8,681,799)
Cash paid to employees	( 1,483,163)	( 398,432)	( 1,881,595)
Other operating revenue	<u>922,534</u>	<u>55,706</u>	<u>978,240</u>
Net cash provided by operating activities	3,814,569	338,036	4,152,605
Cash flows from noncapital financing activities:			
Consumer deposits, net	2,436	( 251)	2,185
Interest paid	<u>( 1,812)</u>	<u>( 462)</u>	<u>( 2,274)</u>
Net cash provided by (used in) noncapital financing activities	624	( 713)	( 89)
Cash flows from capital and related financing activities:			
Principal payments	( 705,000)	--	( 705,000)
Interest paid on revenue notes	( 101,105)	--	( 101,105)
Capital expenditures	( 1,404,622)	( 139,992)	( 1,544,614)
Proceeds from sale of assets	14,514	--	14,514
Contributions in aid of construction	<u>--</u>	<u>1,830</u>	<u>1,830</u>
Net cash used in capital and related financing activities	( 2,196,213)	( 138,162)	( 2,334,375)
Cash flows from investing activities:			
Special purpose fund investments			
Proceeds (purchases)	( 1,994,658)	419	( 1,994,239)
Revolving loan advance	( 100,000)	--	( 100,000)
Revolving loan payments received	37,425	--	37,425
Income from investments	<u>137,231</u>	<u>14,066</u>	<u>151,297</u>
Net cash provided by (used in) investing activities	<u>( 1,920,002)</u>	<u>14,485</u>	<u>( 1,905,517)</u>
Net increase (decrease) in cash	( 301,022)	213,646	( 87,376)
Cash, beginning of year	<u>5,814,029</u>	<u>882,563</u>	<u>6,696,592</u>
Cash, end of year	<u>\$ 5,513,007</u>	<u>\$ 1,096,209</u>	<u>\$ 6,609,216</u>

(continued next page)

ATLANTIC MUNICIPAL UTILITIES  
Statements of Cash Flows - Continued  
Year ended December 31, 2020

	<u>Electric</u>	<u>Water</u>	<u>Total</u>
Reconciliation of cash to the statements of net position:			
Cash in current assets	\$ 1,967,777	\$ 180,524	\$ 2,148,301
Cash in special purpose funds	<u>3,545,230</u>	<u>915,685</u>	<u>4,460,915</u>
Total cash	<u>\$ 5,513,007</u>	<u>\$ 1,096,209</u>	<u>\$ 6,609,216</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 2,527,872	\$ 144,270	\$ 2,672,142
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	1,412,533	205,457	1,617,990
Uncollectible accounts	9,944	2,169	12,113
Reserve for employees' retirement	6,509	( 8,247)	( 1,738)
Accrued OPEB	48,082	10,571	58,653
Change in assets and liabilities			
Receivables	( 6,018)	( 13,219)	( 19,237)
Inventory	( 97,028)	2,242	( 94,786)
Prepaid expenses	( 1,931)	( 99)	( 2,030)
Deferred outflows of resources	64,000	19,000	83,000
Net pension liability	( 144,000)	( 34,000)	( 178,000)
Accounts payable			
Trade	( 34,739)	( 892)	( 35,631)
Due to City Sewer	--	( 5,465)	( 5,465)
Accrued employee compensation	( 55,126)	( 8,490)	( 63,616)
Accrued expenses	( 27,529)	( 1,261)	( 28,790)
Deferred inflows of resources	112,000	26,000	138,000
Total adjustments	<u>1,286,697</u>	<u>193,766</u>	<u>1,480,463</u>
Net cash provided by operating activities	<u>\$ 3,814,569</u>	<u>\$ 338,036</u>	<u>\$ 4,152,605</u>

The accompanying notes are an integral part of these statements.

ATLANTIC MUNICIPAL UTILITIES  
Statements of Cash Flows  
Year ended December 31, 2019

	<u>Electric</u>	<u>Water</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from consumers	\$ 13,215,508	\$ 1,306,016	\$ 14,521,524
Cash paid to suppliers	( 8,854,604)	( 703,441)	( 9,558,045)
Cash paid to employees	( 1,421,647)	( 369,529)	( 1,791,176)
Other operating revenue	<u>891,840</u>	<u>56,816</u>	<u>948,656</u>
Net cash provided by operating activities	3,831,097	289,862	4,120,959
Cash flows from noncapital financing activities:			
Consumer deposits, net	( 2,440)	( 362)	( 2,802)
Interest paid	<u>( 1,827)</u>	<u>( 478)</u>	<u>( 2,305)</u>
Net cash used in noncapital financing activities	( 4,267)	( 840)	( 5,107)
Cash flows from capital and related financing activities:			
Principal payments	( 690,000)	--	( 690,000)
Interest paid on revenue notes	( 115,056)	--	( 115,056)
Capital expenditures	( 1,627,615)	( 200,466)	( 1,828,081)
Capital grants received	17,700	--	17,700
Contributions in aid of construction	<u>100,000</u>	<u>195</u>	<u>100,195</u>
Net cash used in capital and related financing activities	( 2,314,971)	( 200,271)	( 2,515,242)
Cash flows from investing activities:			
Special purpose fund investments			
Proceeds (purchases)	( 2,117,499)	( 1,384)	( 2,118,883)
Revolving loan payments received	36,000	--	36,000
Income from investments	<u>160,767</u>	<u>22,752</u>	<u>183,519</u>
Net cash provided by (used in) investing activities	<u>( 1,920,732)</u>	<u>21,368</u>	<u>( 1,899,364)</u>
Net increase (decrease) in cash	( 408,873)	110,119	( 298,754)
Cash, beginning of year	<u>6,222,902</u>	<u>772,444</u>	<u>6,995,346</u>
Cash, end of year	<u>\$ 5,814,029</u>	<u>\$ 882,563</u>	<u>\$ 6,696,592</u>

(continued next page)

ATLANTIC MUNICIPAL UTILITIES  
Statements of Cash Flows - Continued  
Year ended December 31, 2019

	<u>Electric</u>	<u>Water</u>	<u>Total</u>
Reconciliation of cash to the statements of net position:			
Cash in current assets	\$ 2,226,619	\$ 196,577	\$ 2,423,196
Cash in special purpose funds	<u>3,587,410</u>	<u>685,986</u>	<u>4,273,396</u>
Total cash	<u>\$ 5,814,029</u>	<u>\$ 882,563</u>	<u>\$ 6,696,592</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 2,232,964	\$ 26,275	\$ 2,259,239
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	1,475,000	203,980	1,678,980
Uncollectible accounts	10,264	2,874	13,138
Reserve for employees' retirement	151	( 3,462)	( 3,311)
Accrued OPEB	2,386	23,546	25,932
Change in assets and liabilities			
Receivables	281,474	13,162	294,636
Inventory	( 112,964)	18,359	( 94,605)
Prepaid expenses	( 55,237)	( 4,234)	( 59,471)
Deferred outflows of resources	7,000	12,000	19,000
Net pension liability	( 13,000)	( 3,000)	( 16,000)
Accounts payable			
Trade	( 36,875)	( 1,381)	( 38,256)
Due to City Sewer	--	2,481	2,481
Accrued employee compensation	22,612	( 1,989)	20,623
Accrued expenses	12,322	251	12,573
Deferred inflows of resources	5,000	1,000	6,000
Total adjustments	<u>1,598,133</u>	<u>263,587</u>	<u>1,861,720</u>
Net cash provided by operating activities	<u>\$ 3,831,097</u>	<u>\$ 289,862</u>	<u>\$ 4,120,959</u>

The accompanying notes are an integral part of these statements.

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

Board of Waterworks and Electric Light and Power Plant Trustees - Atlantic, Iowa operates under the name, Atlantic Municipal Utilities (Utilities or Utility). It is made up of two enterprise funds (departments) and is a component unit of the City of Atlantic, Iowa (City). It was instituted to provide water and electric service to residents of the City and the surrounding area. The Utilities are operated as a separate entity under the direction of a Board of Trustees. The members of the Board are appointed by the Mayor and approved by the City Council.

The financial positions and operations of the two departments are accounted for and reported separately in these financial statements. The Utilities report in accordance with Governmental Accounting Standards and Uniform Systems of Accounts prescribed by the Federal Energy Regulatory Commission and the National Association of Regulatory Utility Commissioners.

2. Basis of Presentation

The Statement of Net Position displays the Utilities' assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Contributions in aid of construction* consist of the unamortized cost of contributions from outside parties for construction purposes.

*Restricted net position:*

- a. *Nonexpendable* - Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Utilities.
- b. *Expendable* - Expendable net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

When both restricted and unrestricted net position is available for use, generally it is the Utilities' policy to use restricted net position first.

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued

3. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Utility Plant and Depreciation

The straight-line method is used for computing depreciation with lives on machinery and equipment ranging from five to thirty-five years and lives on buildings of fifty years. Cost of labor, materials, supervision and other expenses incurred in making repairs and minor replacements and in maintaining the properties in efficient operating condition are charged to expense. Utility plant accounts are charged with the cost of improvements and replacements of the plant.

Water contributions in aid of construction represents the actual cost of property contributed to the water utility and nonrefundable payments received from consumers which are used to partially offset the cost of the construction of additional plant. The cost of depreciation on plant acquired through this process is included in depreciation expense. The balance in water contributions in aid of construction is amortized over a period equal to the estimated useful life of the related contributed asset.

6. Accounts Receivable and Revenue Recognition

Billings for electric and water revenues are rendered monthly on a cyclical basis. The Utilities do not record unbilled revenues representing estimated consumption for the period between the last billing date and the end of the fiscal year.

Accounts receivable reported in the statements of net position are shown net of the allowances for doubtful accounts (Electric: \$16,000 in 2020 and 2019) (Water: \$5,000 in 2020 and 2019).

7. Inventory Valuation

Inventories (materials, supplies and fuel) are valued at the lower of cost or market. Cost is determined on a first-in, first-out method for materials and supplies and a weighted average basis for fuel.

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued

8. Investments

Investments are reported at fair value except for investments with maturities of less than one year at the time of purchase. These investments are stated at amortized cost, which approximates fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned.

9. Purpose of Special Funds

The Utilities have set aside certain assets for specific purposes. The board designated funds represent money designated by the Board of Trustees to be used in the payment of certain potential costs as identified in Note D. The electric revenue bond funds, as discussed in Note D, are the result of requirements established in bond issue documents. Use of restricted or unrestricted resources for individual projects is determined by the Utility Board of Trustees based on the facts regarding each specific situation.

10. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, contributions from the employer after the measurement date but before the end of the employer's reporting period, and deferred refunding costs.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Compensated Absences

Utility employees earn vacation hours at varying rates depending on years of service. Vacation time accumulates to a maximum of 200 hours. Any excess over 200 hours is lost. The computed amount of vacation benefits earned by year end is recorded as part of accrued employee compensation.

13. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position applicable to future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of the unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.



ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued

14. Property Taxes

According to Iowa law, the Electric Utility is required to pay property taxes on transmission lines and related Utility property outside the Atlantic city limits. The property taxes are recorded as of the date they become a liability.

15. Cash Equivalents

For purposes of the statement of cash flows, the Atlantic Municipal Utilities considers all highly liquid debt instruments purchased with a maturity of less than three months to be cash equivalents.

NOTE B - TRANSACTIONS WITH CITY OF ATLANTIC, IOWA

The Utilities provide electric and water services to the City in exchange for a partial payment. However, any payment received must be contributed back to the City at the time of receipt. Metered charges plus any excess costs are recorded as services to the City and included in administrative and accounting expenses as a payment in lieu of tax on these financial statements.

The Utilities act as the billing and collection agent for the City in the collection of sewer fees from the residents of Atlantic. This service is provided for a minimal charge to the City.

Following is a summary of activity between the Utilities and City during the year and amounts due to or receivable from the City at year end:

<u>Electric Department</u>	<u>2020</u>	<u>2019</u>
Metered Charges to City	\$ 333,287	\$ 355,679
Additional Costs Incurred	<u>58,288</u>	<u>75,289</u>
Payment in Lieu of Tax	<u>\$ 391,575</u>	<u>\$ 430,968</u>
<u>Water Department</u>	<u>2020</u>	<u>2019</u>
Metered Charges to City	\$ 12,146	\$ 19,796
Additional Costs Incurred	<u>90,957</u>	<u>82,135</u>
Payment in Lieu of Tax	<u>\$ 103,103</u>	<u>\$ 101,931</u>
Sewer Fees Collected for City	<u>\$ 1,541,993</u>	<u>\$ 1,537,532</u>
Charge to City for Sewer Billing Service	<u>\$ 37,149</u>	<u>\$ 37,110</u>
Account Payable to City	<u>\$ 241,530</u>	<u>\$ 246,995</u>

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE C - TRANSACTIONS BETWEEN ELECTRIC AND WATER DEPARTMENTS

Certain administrative costs are split between the Electric and Water Departments based on a formula applied consistently throughout the years. Other costs and all revenues are separately identified and accounted for within each Department.

Following is information about interdepartment transactions and amounts due between the Electric and Water Departments at December 31:

	<u>2020</u>	<u>2019</u>
Electric sales to Water	\$ <u>45,959</u>	\$ <u>48,387</u>
Water sales to Electric	\$ <u>1,356</u>	\$ <u>2,246</u>
Non-interest bearing note due to Electric from Water Department	\$ <u>495,855</u>	\$ <u>495,855</u>

The Electric Department non-interest bearing note receivable from the Water Department represents a temporary transfer of funds as part of the financing for a water improvement project. The note is non-interest bearing and is due in 2032. It is subordinate to any bonds or other debt obligations payable from revenues of the Water Department.

See Note J for details of the non-interest bearing note due to Electric from Water.

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE D - SPECIAL PURPOSE FUNDS

Restricted and board designated funds are available for the following purposes:

Electric Department

	<u>2020</u>	<u>2019</u>
Restricted by Note Resolution for:		
Payment of principal and interest	\$ 1,274,081	\$ 1,266,431
Capital improvements	300,000	300,000
Restricted by Grant & Other Agreements for:		
Revolving loan fund	<u>362,575</u>	<u>361,206</u>
Total restricted	<u>\$ 1,936,656</u>	<u>\$ 1,927,637</u>
Board Designated for:		
Unforeseen disasters	\$ 350,000	\$ 350,000
Capital improvements	8,543,139	6,536,010
Equipment replacement	150,000	150,000
Employee retirement	151,165	151,165
Funding of note requirements	<u>71,818</u>	<u>72,913</u>
Total board designated	<u>\$ 9,266,122</u>	<u>\$ 7,260,088</u>
<u>Water Department</u>		
	<u>2020</u>	<u>2019</u>
Board Designated for:		
System improvements	\$ 1,355,624	\$ 1,126,627
Employee retirement	<u>62,159</u>	<u>61,876</u>
Total board designated	<u>\$ 1,417,783</u>	<u>\$ 1,188,503</u>

NOTE E - DEPOSITS AND INVESTMENTS

The Utilities' deposits at December 31, 2020 and 2019 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. The investments are all insured, registered, or held by the Utilities or their agent in the Utilities' name. Investments are stated as indicated in Note A.

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE E - DEPOSITS AND INVESTMENTS - Continued

The Utilities are authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Electric Department's investments at December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Invested Funds:		
Certificates of Deposit	\$ 7,430,000	\$ 5,430,000
Other Interest Bearing Accounts	3,545,230	3,587,410
Revolving Loan Receivable	200,575	138,000
Interest Receivable	<u>26,973</u>	<u>32,315</u>
Total Investments	<u>\$ 11,202,778</u>	<u>\$ 9,187,725</u>

The Water Department's investments at December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Invested Funds:		
Certificates of Deposit	\$ 500,000	\$ 500,000
Other Interest Bearing Accounts	915,685	685,986
Interest Receivable	<u>2,098</u>	<u>2,517</u>
Total Investments	<u>\$ 1,417,783</u>	<u>\$ 1,188,503</u>

Interest Rate Risk - The Utilities' investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utilities.

NOTE F - FAIR VALUE MEASUREMENTS

The Utilities' investments are reported at fair value in the accompanying statements of net position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE F - FAIR VALUE MEASUREMENTS - Continued

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Utilities uses appropriate valuation techniques based on the available inputs to measure the fair value of its revolving loan receivable, due from Water Department and electric project investments. When available, the Utilities measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 1 or 2 inputs were available to the Utilities, therefore, Level 3 inputs were used to value its investments at December 31, 2020 and 2019.

*Level 3 Fair Value Measurements*

The electric fund's note receivable, due from Water Department and electric project investment are not actively traded and significant other observable inputs are not available. Thus, the fair value of the revolving loan receivable and due from Water Department are based on contract value and the fair value of the electric project investment is based on approximate current fair value.

The following tables set forth, by level within the fair value hierarchy, the Utilities' investments at fair value as of December 31, 2020 and 2019:

		Fair Value Measurements at Reporting Date Using: <u>Contract</u> <u>Value</u> <u>(Level 3)</u>
<u>December 31, 2020</u>	<u>Fair Value</u>	
Revolving loan receivable	\$ 200,575	\$ 200,575
Due from Water Department	495,855	495,855
Electric project investments	<u>184,154</u>	<u>184,154</u>
	<u>\$ 880,584</u>	<u>\$ 880,584</u>
 <u>December 31, 2019</u>		
Revolving loan receivable	\$ 138,000	\$ 138,000
Due from Water Department	495,855	495,855
Electric project investments	<u>184,154</u>	<u>184,154</u>
	<u>\$ 818,009</u>	<u>\$ 818,009</u>

ATLANTIC MUNICIPAL UTILITIES  
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NOTE F - FAIR VALUE MEASUREMENTS - Continued

The following table reconciles the beginning and ending balances of fair value measurement for the Utilities' Level 3 assets using unobservable inputs for the years ended December 31, 2020 and 2019:

	Revolving Loan Receivable	Due from Water Department	Electric Project Investments
<u>December 31, 2020</u>			
Beginning balance	\$ 138,000	\$ 495,855	\$ 184,154
Revolving loan receivable	100,000	--	--
Collections on revolving loan receivable	( 37,425)	--	--
Ending balance	<u>\$ 200,575</u>	<u>\$ 495,855</u>	<u>\$ 184,154</u>
<u>December 31, 2019</u>			
Beginning balance	\$ 174,000	\$ 495,855	\$ 184,154
Collections on revolving loan receivable	( 36,000)	--	--
Ending balance	<u>\$ 138,000</u>	<u>\$ 495,855</u>	<u>\$ 184,154</u>

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals, and balances for the years ended December 31, 2020 and 2019 were as follows:

	Balance 2019	Additions	Disposals	Balance 2020
<u>Electric Department</u>				
Plant and Equipment	\$ 56,382,339	\$ 1,393,276	\$ 196,614	\$ 57,579,001
Depreciation	<u>35,340,912</u>	<u>1,412,533</u>	<u>191,890</u>	<u>36,561,555</u>
Depreciable Capital Assets, Net	<u>\$ 21,041,427</u>	<u>\$ ( 19,257)</u>	<u>\$ 4,724</u>	<u>\$ 21,017,446</u>
Construction in Progress	\$ 1,590,167	\$ 1,489,412	\$ 1,393,276	\$ 1,686,303
Land and Land Rights	<u>668,236</u>	<u>--</u>	<u>--</u>	<u>668,236</u>
Non-Depreciable Capital Assets	<u>\$ 2,258,403</u>	<u>\$ 1,489,412</u>	<u>\$ 1,393,276</u>	<u>\$ 2,354,539</u>

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE G - CAPITAL ASSETS - Continued

	<u>Balance 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2019</u>
<u>Electric Department</u>				
Plant and Equipment	\$ 55,527,635	\$ 1,282,332	\$ 427,628	\$ 56,382,339
Depreciation	<u>34,220,191</u>	<u>1,475,000</u>	<u>354,279</u>	<u>35,340,912</u>
Depreciable Capital Assets, Net	<u>\$ 21,307,444</u>	<u>\$ ( 192,668)</u>	<u>\$ 73,349</u>	<u>\$ 21,041,427</u>
Construction in Progress	\$ 1,342,118	\$ 1,698,479	\$ 1,450,430	\$ 1,590,167
Land and Land Rights	<u>668,236</u>	<u>--</u>	<u>--</u>	<u>668,236</u>
Non-Depreciable Capital Assets	<u>\$ 2,010,354</u>	<u>\$ 1,698,479</u>	<u>\$ 1,450,430</u>	<u>\$ 2,258,403</u>
	<u>Balance 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2020</u>
<u>Water Department</u>				
Plant and Equipment	\$ 10,467,113	\$ 109,374	\$ 27,815	\$ 10,548,672
Depreciation	<u>6,285,661</u>	<u>205,457</u>	<u>27,815</u>	<u>6,463,303</u>
Depreciable Capital Assets, Net	<u>\$ 4,181,452</u>	<u>\$ ( 96,083)</u>	<u>\$ --</u>	<u>\$ 4,085,369</u>
Construction in Progress	\$ 51,611	\$ 139,992	\$ 109,374	\$ 82,229
Land and Land Rights	<u>91,036</u>	<u>--</u>	<u>--</u>	<u>91,036</u>
Non-Depreciable Capital Assets	<u>\$ 142,647</u>	<u>\$ 139,992</u>	<u>\$ 109,374</u>	<u>\$ 173,265</u>
	<u>Balance 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2019</u>
<u>Water Department</u>				
Plant and Equipment	\$ 10,328,009	\$ 155,704	\$ 16,600	\$ 10,467,113
Depreciation	<u>6,098,281</u>	<u>203,980</u>	<u>16,600</u>	<u>6,285,661</u>
Depreciable Capital Assets, Net	<u>\$ 4,229,728</u>	<u>\$ ( 48,276)</u>	<u>\$ --</u>	<u>\$ 4,181,452</u>
Construction in Progress	\$ 6,849	\$ 200,466	\$ 155,704	\$ 51,611
Land and Land Rights	<u>91,036</u>	<u>--</u>	<u>--</u>	<u>91,036</u>
Non-Depreciable Capital Assets	<u>\$ 97,885</u>	<u>\$ 200,466</u>	<u>\$ 155,704</u>	<u>\$ 142,647</u>

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE H - DEFERRED OUTFLOWS OF RESOURCES

The deferred outflows of resources include deferred refunding costs and pension items. The deferred refunding cost is the difference between the reacquisition price and the net carrying amount of the old debt through an advance refunding. The deferred pension items represent the differences between expected and actual experience, changes of assumptions, changes in proportion of contributions, and contributions subsequent to the measurement date. A schedule of the balances for the years ended December 31, 2020 and 2019 follows:

<u>December 31, 2020</u>	<u>Electric</u>	<u>Water</u>	<u>Total</u>
Refunding costs	\$ 38,277	\$ --	\$ 38,277
Pension	<u>308,000</u>	<u>84,000</u>	<u>392,000</u>
	<u>\$ 346,277</u>	<u>\$ 84,000</u>	<u>\$ 430,277</u>
<u>December 31, 2019</u>	<u>Electric</u>	<u>Water</u>	<u>Total</u>
Refunding costs	\$ 66,985	\$ --	\$ 66,985
Pension	<u>372,000</u>	<u>103,000</u>	<u>475,000</u>
	<u>\$ 438,985</u>	<u>\$ 103,000</u>	<u>\$ 541,985</u>

NOTE I - ELECTRIC DEPARTMENT NON-CURRENT LIABILITIES

A schedule of changes in Electric Department non-current liabilities for the years ended December 31, 2020 and 2019 follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2020</u>
2015 Capital Loan Notes	\$ 4,670,000	\$ --	\$ 705,000	\$ 3,965,000
Debt Premium	84,084	--	13,277	70,807
Less Current Portion	<u>( 718,277)</u>	<u>( 15,000)</u>	<u>--</u>	<u>( 733,277)</u>
Long-Term Debt, Net	4,035,807	( 15,000)	718,277	3,302,530
Net Pension Liability	1,403,000	--	144,000	1,259,000
Consumer Deposits, Net	62,860	2,436	--	65,296
Reserve for Employee Retirement	107,975	6,509	--	114,484
Accrued OPEB	<u>300,000</u>	<u>48,082</u>	<u>--</u>	<u>348,082</u>
Total Non-Current Liabilities	<u>\$ 5,909,642</u>	<u>\$ 42,027</u>	<u>\$ 862,277</u>	<u>\$ 5,089,392</u>



ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE I - ELECTRIC DEPARTMENT NON-CURRENT LIABILITIES - Continued

	Balance 2018	Additions	Reductions	Balance 2019
2015 Capital Loan Notes	\$ 5,360,000	\$ --	\$ 690,000	\$ 4,670,000
Debt Premium	97,361	--	13,277	84,084
Less Current Portion	( 703,277)	( 15,000)	--	( 718,277)
Long-Term Debt, Net	4,754,084	( 15,000)	703,277	4,035,807
Net Pension Liability	1,416,000	--	13,000	1,403,000
Consumer Deposits, Net	65,300	--	2,440	62,860
Unspent Contribution in Aid of Construction	68,098	--	68,098	--
Reserve for Employee Retirement	107,824	151	--	107,975
Accrued OPEB	297,614	2,386	--	300,000
Total Non-Current Liabilities	<u>\$ 6,708,920</u>	<u>\$( 12,463)</u>	<u>\$ 786,815</u>	<u>\$ 5,909,642</u>

Series 2015 Capital Loan Notes

The Series 2015 Capital Loan Notes were issued to advance refund the Series 2007 Capital Loan Notes and provide funding for other capital needs. The 2015 Series Capital Loan Notes constitute a lien on the net income of the Electric Department. They are not general obligations of the City of Atlantic. The notes mature in increasing amounts ranging from \$610,000 to \$720,000. Interest rates range from 2.00% to 3.00%. The part of these notes maturing after April 1, 2022 are subject to early redemption on or after that date.

The annual debt service on the notes is expected to require less than 20% of cash flow available for debt service. For the current year, debt service and cash flow for debt were approximately \$806,100 and \$4,075,800, respectively.

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE I - ELECTRIC DEPARTMENT NON-CURRENT LIABILITIES - Continued

The resolutions of the Board of Trustees authorizing the issuance of the 2015 Electric Capital Loan Notes specify the creation and maintenance of a sinking fund, a debt service reserve fund, a capital improvement fund, and a surplus fund. Funding requirements have been fulfilled with the only remaining requirement being monthly accumulation of principal and interest for the next due date. Principal and interest payments required on Electric Department long-term debt during each of the five years ending December 31, 2021 through 2025 and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 720,000	\$ 86,855	\$ 806,855
2022	720,000	72,455	792,455
2023	610,000	59,003	669,003
2024	620,000	45,000	665,000
2025	640,000	28,450	668,450
2026	<u>655,000</u>	<u>9,825</u>	<u>664,825</u>
	<u>\$ 3,965,000</u>	<u>\$ 301,588</u>	<u>\$ 4,266,588</u>

ATLANTIC MUNICIPAL UTILITIES  
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December 31, 2020 and 2019

NOTE J - WATER DEPARTMENT NON-CURRENT LIABILITIES

A schedule of changes in Water Department non-current liabilities for the years ended December 31, 2020 and 2019 follows:

	Balance 2019	Additions	Reductions	Balance 2020
Due to Electric Department				
Non-interest bearing note	\$ 495,855	\$ --	\$ --	\$ 495,855
Long-term due to Electric Department	495,855	--	--	495,855
Net Pension Liability	278,000	--	34,000	244,000
Consumer Deposits, Net	17,096	--	251	16,845
Reserve for Employees' Retirement	43,493	--	8,247	35,246
Accrued OPEB	73,758	10,571	--	84,329
Total Non-Current Liabilities	<u>\$ 908,202</u>	<u>\$ 10,571</u>	<u>\$ 42,498</u>	<u>\$ 876,275</u>
	Balance 2018	Additions	Reductions	Balance 2019
Due to Electric Department				
Non-interest bearing note	\$ 495,855	\$ --	\$ --	\$ 495,855
Long-term due to Electric Department	495,855	--	--	495,855
Net Pension Liability	281,000	--	3,000	278,000
Consumer Deposits, Net	17,458	--	362	17,096
Reserve for Employees' Retirement	46,955	--	3,462	43,493
Accrued OPEB	50,212	23,546	--	73,758
Total Non-Current Liabilities	<u>\$ 891,480</u>	<u>\$ 23,546</u>	<u>\$ 6,824</u>	<u>\$ 908,202</u>

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE J - WATER DEPARTMENT NON-CURRENT LIABILITIES - Continued

Note Payable to Electric Department

The non-interest bearing note payable to the Electric Department represents a temporary transfer of funds as part of the financing for a water improvement project. The note is non-interest bearing and is due in 2032. It is subordinate to any bonds or other debt obligations payable from revenues of the Water Department. Principal and interest payments currently required on Water Department long-term debt during subsequent years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ --	\$ --	\$ --
2022	--	--	--
2023	--	--	--
2024	--	--	--
2025	--	--	--
2026-2030	--	--	--
2031-2032	495,855	--	495,855
	<u>\$ 495,855</u>	<u>\$ --</u>	<u>\$ 495,855</u>

NOTE K - EMPLOYEE RETIREMENT

Reserve For Employees' Retirement

Under rules adopted by the Board of Trustees, upon retirement, employees are eligible to receive payments based on accumulated but unused sick leave credits. Payments based on unused sick leave credits are also payable to a named beneficiary if a retiree dies before receiving all benefits earned.

NOTE L - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the Utilities, except for those covered by another retirement system. Employees of the Utilities are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided by general informational purposes only. Refer to the plan documents for more information.

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
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NOTE L - PENSION PLAN - Continued

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE L - PENSION PLAN - Continued

In fiscal year 2020 and 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Utilities contributed 9.44% of covered payroll for a total rate of 15.73%.

The Utilities' contributions to IPERS for the years ended December 31, 2020 and 2019 were approximately \$197,500 and \$187,800, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2020 and 2019, the Utilities reported a liability of \$1,503,000 and \$1,681,000, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, which is an estimate as of December 31, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Utilities' proportion of the net pension liability was based on the Utilities' share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the Utilities' proportion was 0.025960%, which was a decrease of .000597% from its proportion measured as of June 30, 2018.

For the years ended December 31, 2020 and 2019, the Utilities recognized pension expense of approximately \$240,000 and \$197,000, respectively. The Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Electric		2020 Water		Total All Utilities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,200	\$ 43,100	\$ --	\$ 11,000	\$ 4,200	\$ 54,100
Changes of assumptions	127,900	--	33,100	--	161,000	--
Net difference between projected and actual earnings on IPERS investments	--	137,200	--	32,200	--	169,400
Changes in proportion and differences between Utilities contributions and proportionate share of contributions	18,500	61,700	10,800	14,800	29,300	76,500
Utilities contributions subsequent to the measurement date	<u>157,400</u>	<u>--</u>	<u>40,100</u>	<u>--</u>	<u>197,500</u>	<u>--</u>
	<u>\$ 308,000</u>	<u>\$ 242,000</u>	<u>\$ 84,000</u>	<u>\$ 58,000</u>	<u>\$ 392,000</u>	<u>\$ 300,000</u>

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE L - PENSION PLAN - Continued

	2019					
	Electric		Water		Total All Utilities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,300	\$ 30,100	\$ 1,000	\$ 7,900	\$ 9,300	\$ 38,000
Changes of assumptions	191,600	--	48,100	--	239,700	--
Net difference between projected and actual earnings on IPERS investments	--	37,400	--	8,700	--	46,100
Changes in proportion and differences between Utilities contributions and proportionate share of contributions	25,700	62,500	12,500	15,400	38,200	77,900
Utilities contributions subsequent to the measurement date	146,400	--	41,400	--	187,800	--
	<u>\$ 372,000</u>	<u>\$ 130,000</u>	<u>\$ 103,000</u>	<u>\$ 32,000</u>	<u>\$ 475,000</u>	<u>\$ 162,000</u>

Deferred outflows of resources related to pensions of \$197,500 and \$187,800 represent the amount the Utilities contributed subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2021 and December 31, 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Electric	Water	Total All Utilities
2021	\$ 8,400	\$ 1,300	\$ 9,700
2022	( 42,400)	( 6,500)	( 48,900)
2023	( 23,400)	( 3,600)	( 27,000)
2024	( 27,800)	( 4,300)	( 32,100)
2025	( 6,200)	( 1,000)	( 7,200)
	<u>\$ ( 91,400)</u>	<u>\$ ( 14,100)</u>	<u>\$ ( 105,500)</u>

Year Ended December 31,	Electric	Water	Total All Utilities
2020	\$ 66,700	\$ 20,600	\$ 87,300
2021	34,500	10,700	45,200
2022	( 11,800)	( 3,700)	( 15,500)
2023	5,100	1,600	6,700
2024	1,100	400	1,500
	<u>\$ 95,600</u>	<u>\$ 29,600</u>	<u>\$ 125,200</u>

There were no non-employer contribution entities to IPERS.

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE L - PENSION PLAN - Continued

Actuarial Assumptions - The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increases (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100%</u>	



ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE L - PENSION PLAN - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Utilities will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utilities' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Utilities' proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Utilities' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Electric	\$ 2,236,000	\$ 1,259,000	\$ 440,000
Water	<u>433,000</u>	<u>244,000</u>	<u>85,000</u>
Utilities' proportionate share of the net pension liability - December 31, 2020	<u>\$ 2,669,000</u>	<u>\$ 1,503,000</u>	<u>\$ 525,000</u>
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Electric	\$ 2,380,000	\$ 1,403,000	\$ 583,000
Water	<u>472,000</u>	<u>278,000</u>	<u>115,000</u>
Utilities' proportionate share of the net pension liability - December 31, 2019	<u>\$ 2,852,000</u>	<u>\$ 1,681,000</u>	<u>\$ 698,000</u>

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS - At December 31, 2020 and 2019, the Utilities reported payables to IPERS of \$25,279 and \$23,576, respectively, for legally required employer contributions and \$14,831 and \$9,765, respectively, for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE M - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The Utilities operate a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. At December 31, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits: Individuals who are employed by the Utilities and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the COBRA rate for the same medical benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. The following employees were covered by the benefit terms:

	December 31, 2020	December 31, 2019
Inactive employees or beneficiaries currently receiving benefit payments	5	4
Active employees	26	27
Total	31	31

Total OPEB Liability - The Utilities' total OPEB liability of \$432,411 was measured as of September 1, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the September 1, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective September 1, 2020)	3.00% per annum.
Rates of salary increase (effective September 1, 2020)	3.00% per annum, including inflation.
Discount rate (effective September 1, 2020)	2.20% compounded annually, including inflation.
Healthcare cost trend rate (effective September 1, 2020)	5.00% initial rate.

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE M - OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

Discount Rate - The discount rate used to measure the total OPEB liability was 2.20% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the September 1, 2020 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

<u>Changes in the Total OPEB Liability</u>	<u>2020</u>	<u>2019</u>
	<u>Total OPEB Liability</u>	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 373,758	\$ 347,826
Changes for the year:		
Service cost	28,123	15,184
Interest	10,291	13,517
Differences between expected and actual experiences	( 7,168)	33,894
Changes in assumptions	49,235	--
Benefit payments	( 21,828)	( 36,663)
Net changes	<u>58,653</u>	<u>25,932</u>
Total OPEB liability end of year	<u>\$ 432,411</u>	<u>\$ 373,758</u>

Changes of assumptions reflect a change in the discount rate from 3.96% in fiscal year 2019 to 2.20% in fiscal year 2020.

Sensitivity of the Utilities' Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the Utilities, as well as what the Utilities' total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.20%) or 1% higher (3.20%) than the current discount rate for December 31, 2020.

	<u>1% Decrease (1.20%)</u>	<u>Discount Rate (2.20%)</u>	<u>1% Increase (3.20%)</u>
Total OPEB liability - December 31, 2020	\$ 457,260	\$ 432,411	\$ 404,467

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE M - OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

Sensitivity of the Utilities' Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the Utilities, as well as what the Utilities' total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.96%) or 1% higher (4.96%) than the current discount rate for December 31, 2019.

	<u>1% Decrease (2.96%)</u>	<u>Discount Rate (3.96%)</u>	<u>1% Increase (4.96%)</u>
Total OPEB liability - December 31, 2019	\$ 398,933	\$ 373,758	\$ 349,243

Sensitivity of the Utilities' Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the Utilities, as well as what the Utilities' total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	<u>1% Decrease (4.00%)</u>	<u>Healthcare Cost Trend Rate (5.00%)</u>	<u>1% Increase (6.00%)</u>
Total OPEB liability - December 31, 2020	\$ 386,521	\$ 432,411	\$ 486,099

	<u>1% Decrease (4.00%)</u>	<u>Healthcare Cost Trend Rate (5.00%)</u>	<u>1% Increase (6.00%)</u>
Total OPEB liability - December 31, 2019	\$ 412,081	\$ 373,758	\$ 340,649

OPEB Expense - For the year ended December 31, 2020, the Utilities recognized OPEB expense of \$58,653 (\$25,932 for 2019).

NOTE N - REVOLVING LOAN FUND

The Utilities operate a revolving loan fund established through a rural economic grant agreement. In accordance with the grant terms, the revolving loan fund is to be used to finance approved rural economic development projects. As of December 31, 2020, the outstanding balance of the revolving loan receivable was \$200,575 (\$138,000 at December 31, 2019).

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE O - COMMITMENTS AND CONTINGENCIES

Power Supply

The Electric Utility participates with several other utility companies in the operation of the Walter Scott Energy Center No. 3 (W/S#3) to supply power. The project represents an ongoing commitment to provide operating and construction funds as they are needed to maintain and update the facility. The share applicable to Atlantic is approximately 2.5% of the total costs. Periodically W/S#3 shuts down production for several weeks for major maintenance and repairs. During the alternate years when no shutdown occurs, the Electric Utility accrues an estimate of the pro rata additional O&M expense it will incur related to a shutdown. At the end of 2020, there was \$250,000 accrued for additional O&M expense. During the shutdown, the Electric Utility purchases replacement electricity on the open market.

Of the Electric Department's construction in progress, approximately \$1,595,000 represents the Utility's share of ongoing construction projects at W/S#3. These projects have an estimated capital cost to complete of \$3,147,500. The Utility is financing the costs of these projects through internally generated funds.

Approximately \$91,000 of the Electric Department construction in progress at December 31, 2020 consists of three local projects. The largest of these is the Spruce switchgear replacement project (\$69,000). The estimated cost of the switchgear project is \$1.1 million. The projects are being financed through internally generated funds.

Water Department Construction in Progress

Approximately \$82,000 of the Water Department construction in progress at December 31, 2020 consists of three prospective projects included within the CDBG project. These projects have an estimated capital cost to complete of \$1,215,000. The Utility is financing the costs of these projects through funds generated internally and through grant revenues.

Iowa Municipal Utilities Shared Projects

Transmission Lines - The Electric Utility has joined with other Municipal Utilities in Iowa to form the Iowa Public Power Agency (IPPA). IPPA is a 28E Agreement organization which was formed to enable small Municipal Utilities in Iowa to own a share of electric transmission lines. The Electric Utility provided a part of the original operating and equity funding (currently accounted for as a part of other assets) for an IPPA \$3.5 million share of a transmission line project, in partnership with MidAmerican Energy. The transmission line was put into service in early 2010. During 2020, the Electric Utility provided \$60,813 of operating funding to the project. That amount was returned to the Utility.

Risk Management

The Utilities are exposed to common business risks of loss. These risks are covered to the extent practical by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

ATLANTIC MUNICIPAL UTILITIES  
Notes to Financial Statements  
December 31, 2020 and 2019

NOTE O - COMMITMENTS AND CONTINGENCIES - Continued

Concentration of Credit Risk

Accounts receivable are due for electric and water charges to customers of Atlantic, Iowa and the surrounding area. None of the receivables are collateralized. To date, these concentrations of credit risk have not had an adverse effect on the results of operations of the Utilities.

Environmental Regulations

The Utilities are subject to various federal and state environmental regulations. These regulations are continuously revised and updated, resulting in ongoing compliance requirements. Management has determined that the facility is currently in compliance with the applicable regulations. The Utilities anticipate that any future cost incurred relating to environmental regulations will be recovered through rates charged to customers.

Subsequent Events

The Utilities has evaluated all subsequent events through March 4, 2021, the date the financial statements were available to be issued.

\* \* \*

## REQUIRED SUPPLEMENTARY INFORMATION

ATLANTIC MUNICIPAL UTILITIES  
 Budgetary Comparison Schedule  
 Required Supplementary Information  
 Year Ended December 31, 2020

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the modified accrual basis used to prepare the budget. The adjustments result from accounting for debt payments, capital grants received, and net position differently for financial statement and budget purposes.

	Per Financial Statements		Budget	Combined
	Electric	Water	Adjustments	Utilities
Revenues	\$ 13,411,919	\$ 1,462,366	\$ 1,830	\$ 14,876,115
Expenses	<u>10,851,849</u>	<u>1,304,492</u>	<u>705,000</u>	<u>12,861,341</u>
Net	2,560,070	157,874	( 703,170)	2,014,774
Balance beginning of year	29,484,739	4,864,122	( 20,313,361)	14,035,500
Contributions	<u>--</u>	<u>1,830</u>	<u>( 1,830)</u>	<u>--</u>
Balance end of year	<u>\$ 32,044,809</u>	<u>\$ 5,023,826</u>	<u>\$( 21,018,361)</u>	<u>\$ 16,050,274</u>

	Budget	Budget	Variance
	Basis	Budget	Favorable (Unfavorable)
Revenues	\$ 14,876,115	\$ 15,970,984	\$( 1,094,869)
Expenses	<u>12,861,341</u>	<u>15,014,192</u>	<u>2,152,851</u>
Net	2,014,774	956,792	1,057,982
Balance beginning of year	<u>14,035,500</u>	<u>14,035,500</u>	<u>--</u>
Balance end of year	<u>\$ 16,050,274</u>	<u>\$ 14,992,292</u>	<u>\$ 1,057,982</u>

See accompanying independent auditor's report.



# ATLANTIC MUNICIPAL UTILITIES

## Schedule of Changes in the Utilities' Total OPEB Liability, Related Ratios and Notes

For the Last Three Years  
Required Supplementary Information

	2020	2019	2018
Service cost	\$ 28,123	\$ 15,184	\$ 14,742
Interest cost	10,291	13,517	13,198
Difference between expected and actual experiences (	7,168)	33,894	( 17,566)
Changes in assumptions	49,235	--	63,192
Benefit payments	( 21,828)	( 36,663)	( 23,383)
Net change in total OPEB liability	58,653	25,932	50,183
Total OPEB liability beginning of year	373,758	347,826	297,643
Total OPEB liability end of year	\$ 432,411	\$ 373,758	\$ 347,826
Covered-employee payroll	\$ 2,404,075	\$ 2,054,690	\$ 1,994,845
Total OPEB liability as a percentage of covered-employee payroll	17.99%	18.19%	17.44%

### Notes to Schedule of Changes in the Utilities' Total OPEB Liability and Related Ratios

#### *Changes in benefit terms:*

There were no significant changes in benefit terms.

#### *Changes in assumptions:*

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended December 31, 2020	2.20%
Year ended December 31, 2019	3.96%
Year ended December 31, 2018	3.96%

See accompanying independent auditor's report.

ATLANTIC MUNICIPAL UTILITIES  
Schedule of the Utilities' Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Six Years

Required Supplementary Information

	<u>2020</u>	<u>2019</u>
Utilities' proportion of the net pension liability	0.025960%	0.026557%
Utilities' proportionate share of the net pension liability	\$ 1,503,000	\$ 1,681,000
Utilities' covered payroll	\$ 1,990,000	\$ 2,003,000
Utilities' proportionate share of the net pension liability as a percentage of its covered payroll	75.53%	83.92%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%

In accordance with GASB Statement No. 68, the amounts presented for each year were determined as of the preceding year-end.

Amounts reported are rounded.

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.025477%	0.026538%	0.027932%	0.029037%
\$ 1,697,000	\$ 1,671,000	\$ 1,381,000	\$ 1,176,000
\$ 1,936,000	\$ 1,917,000	\$ 1,887,000	\$ 1,937,000
87.65%	87.17%	73.18%	60.71%
82.21%	81.82%	85.19%	87.61%

ATLANTIC MUNICIPAL UTILITIES  
Schedule of Utilities' Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years

Required Supplementary Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 197,000	\$ 188,000	\$ 183,000	\$ 174,000
Contributions in relation to the statutorily required contribution	<u>( 197,000)</u>	<u>( 188,000)</u>	<u>( 183,000)</u>	<u>( 174,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Utilities' covered payroll	\$ 2,088,000	\$ 1,990,000	\$ 2,003,000	\$ 1,936,000
Contributions as a percentage of covered payroll	9.43%	9.45%	9.14%	8.99%

Note - Amounts are rounded.

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 168,000	\$ 168,000	\$ 173,000	\$ 173,000	\$ 162,000	\$ 139,000
<u>( 168,000)</u>	<u>( 168,000)</u>	<u>( 173,000)</u>	<u>( 173,000)</u>	<u>( 162,000)</u>	<u>( 139,000)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 1,917,000	\$ 1,887,000	\$ 1,937,000	\$ 1,964,000	\$ 1,931,000	\$ 1,850,000
8.76%	8.93%	8.93%	8.80%	8.40%	7.51%

ATLANTIC MUNICIPAL UTILITIES  
Notes to Required Supplementary Information - Pension Liability  
Year Ended December 31, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

\* \* \*

See accompanying independent auditor's report.

## SUPPLEMENTARY INFORMATION

ATLANTIC MUNICIPAL UTILITIES  
ELECTRIC DEPARTMENT  
Revenue Notes  
December 31,

<u>Due Date</u>	<u>Optional Call Date</u>	<u>Interest Rate</u>	<u>2020</u>	<u>2019</u>
<u>2015 Series</u>				
April 1, 2020	--	2.00%	\$ --	\$ 705,000
April 1, 2021	--	2.00	720,000	720,000
April 1, 2022	--	2.00	720,000	720,000
April 1, 2023	April 1, 2022	2.05	610,000	610,000
April 1, 2024	April 1, 2022	2.50	620,000	620,000
April 1, 2025	April 1, 2022	2.75	640,000	640,000
April 1, 2026	April 1, 2022	3.00	655,000	655,000
			<u>\$ 3,965,000</u>	<u>\$ 4,670,000</u>

See accompanying independent auditor's report.



ATLANTIC MUNICIPAL UTILITIES  
Operating Revenue  
Year ended December 31,

	<u>2020</u>	<u>2019</u>
<u>ELECTRIC DEPARTMENT</u>		
Retail Electricity Sales:		
Residential	\$ 2,638,146	\$ 2,624,033
Commercial	2,951,333	3,171,188
Rural residential	857,983	878,785
Rural commercial	521,686	554,150
Industrial	5,349,685	5,362,879
Interdepartmental sales	<u>45,959</u>	<u>48,387</u>
	12,364,792	12,639,422
Net MISO Sales (Purchases)	<u>( 420,541)</u>	<u>( 144,173)</u>
Total current use charges	<u>\$ 11,944,251</u>	<u>\$ 12,495,249</u>
Other Operating Revenue:		
Customer late payment charges	\$ 15,826	\$ 15,231
Service charges	14,813	16,433
Rent from electric properties	21,105	22,188
Net contract work	54,847	29,255
Transmission service	795,020	787,663
Scrap sales	2,673	1,119
Bad debts recovered	6,538	4,123
Miscellaneous	1,670	( 1,989)
Posting charges	<u>16,580</u>	<u>21,940</u>
	<u>\$ 929,072</u>	<u>\$ 895,963</u>
<u>WATER DEPARTMENT</u>		
Water Sales:		
Residential	\$ 811,620	\$ 748,673
Commercial	<u>476,432</u>	<u>441,908</u>
	<u>\$ 1,288,052</u>	<u>\$ 1,190,581</u>
Other Operating Revenue:		
Customer late payment charges	\$ 7,671	\$ 7,294
Service charges	6,796	7,954
Net contract work	38,004	35,198
Scrap sales	790	775
Bad debts recovered	1,439	746
Miscellaneous	2,445	5,395
Posting charges	<u>--</u>	<u>200</u>
	<u>\$ 57,145</u>	<u>\$ 57,562</u>

See accompanying independent auditor's report.

ATLANTIC MUNICIPAL UTILITIES  
ELECTRIC DEPARTMENT  
Operating Expenses  
Year ended December 31,

	<u>2020</u>	<u>2019</u>
Electric Production:		
W/S#3 Production:		
Operating supervision and labor	\$ 105,961	\$ 139,759
Fuel	877,223	1,297,872
Operating supplies and expense	254,884	202,593
Maintenance of production plant	<u>298,980</u>	<u>372,701</u>
Total W/S#3 production	1,537,048	2,012,925
Atlantic Production:		
Operating supervision and labor	22,376	23,333
Fuel	19,296	11,612
Operating supplies and expense	6,298	1,318
Maintenance of production plant	204,468	163,617
Miscellaneous production expense	<u>5,631</u>	<u>--</u>
Total Atlantic production	258,069	199,880
Total electric production	1,795,117	2,212,805
Purchased Power	3,470,704	3,969,407
Transmission Expense:		
Maintenance of transmission line and other	1,492,627	1,301,480
Distribution Expense:		
City:		
Operating supervision and labor	72,463	77,713
Dispatch	77,612	69,146
Line and station supplies and expense	86,310	84,126
Meter expense	9,700	18,453
Miscellaneous distribution expense	87,870	73,420
Maintenance of structures and equipment	104,825	76,529
Maintenance of lines	170,091	168,344
Maintenance of line transformers	13,524	9,365
Maintenance of street lighting and signal systems	25,773	28,134
Maintenance of meters	<u>65,790</u>	<u>33,463</u>
Total city distribution expense	713,958	638,693
Rural:		
Operating supervision and labor	57,546	61,475
Dispatch	35,848	31,655
Line and station supplies and expense	171	1,503
Miscellaneous distribution expense	43,040	73,421
Maintenance of structures and equipment	25,723	25,513
Maintenance of lines	<u>145,210</u>	<u>145,745</u>

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ATLANTIC MUNICIPAL UTILITIES  
ELECTRIC DEPARTMENT  
Operating Expenses - Continued  
Year ended December 31,

	<u>2020</u>	<u>2019</u>
Distribution Expense (Continued):		
Rural (Continued):		
Maintenance of line transformers	\$ 10,516	\$ 1,092
Maintenance of meters	<u>65,342</u>	<u>52,141</u>
Total rural distribution expense	<u>383,396</u>	<u>392,545</u>
Total distribution expense	1,097,354	1,031,238
Administrative and Accounting Expense:		
Customer accounting:		
Meter reading labor	12,550	16,762
Accounting and collecting costs	109,779	115,534
Supplies and expense	73,526	69,915
Uncollectible accounts	<u>9,944</u>	<u>10,264</u>
Total customer accounting	205,799	212,475
Administrative and general:		
Administrative and general salaries	65,641	62,447
Disability	10,568	11,127
Office supplies and expense	34,755	35,109
Outside service employed	19,675	24,300
Property insurance	65,333	64,902
Liability insurance and safety program costs	65,102	60,936
Employees' pension and benefits	515,032	493,926
Payment in lieu of tax	391,575	430,968
Regulatory commission expense	19,226	16,505
IT and networking expense	39,892	37,876
Energy efficiency grant/rebate program	1,616	29,051
Miscellaneous general expense	65,670	56,777
Maintenance of general plant	16,564	41,452
Property taxes	<u>83,415</u>	<u>130,260</u>
Total administrative and general	1,394,064	1,495,636
Administrative adjustments	( 8,327)	8,785
Less administrative expense transferred	<u>( 122,845)</u>	<u>( 117,610)</u>
Net administrative and general	<u>1,262,892</u>	<u>1,386,811</u>
Total administrative and accounting expense	1,468,691	1,599,286
Provision for Depreciation	<u>1,412,533</u>	<u>1,475,000</u>
Total operating expenses	<u>\$ 10,737,026</u>	<u>\$ 11,589,216</u>

See accompanying independent auditor's report.

ATLANTIC MUNICIPAL UTILITIES  
WATER DEPARTMENT  
Operating Expenses  
Year ended December 31,

	<u>2020</u>	<u>2019</u>
Source of Supply Expense:		
Operating supplies and expense	\$ 23,249	\$ 27,272
Maintenance of water source	<u>21,974</u>	<u>33,337</u>
Total source of supply expense	45,223	60,609
Pumping Expense:		
Operating labor	43,557	43,670
Fuel and power pumping	30,034	29,533
Maintenance of pumping station	<u>8,106</u>	<u>8,276</u>
Total pumping expense	81,697	81,479
Water Treatment Expense:		
Operating labor	38,057	35,537
Chemicals	28,622	32,283
Operating supplies and expense	26,983	28,918
Maintenance of water treatment plant	<u>25,385</u>	<u>24,118</u>
Total water treatment expense	119,047	120,856
Distribution Expense:		
Operating labor	153,856	146,586
Operating supplies and expense	9,883	11,887
Maintenance of distribution reservoirs and standpipes	54,026	69,013
Maintenance of mains	67,087	40,327
Maintenance of services	315	1,063
Maintenance of meters	2,632	2,252
Maintenance of hydrants	<u>3,376</u>	<u>2,037</u>
Total distribution expense	291,175	273,165
Administrative and Accounting Expense:		
Customer Accounting:		
Meter reading labor	35,556	36,206
Accounting and collecting labor	61,863	64,363
Supplies and expense	37,347	37,805
Uncollectible accounts	<u>2,169</u>	<u>2,874</u>
Total customer accounting	136,935	141,248

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ATLANTIC MUNICIPAL UTILITIES  
WATER DEPARTMENT  
Operating Expenses - Continued  
Year ended December 31,

	<u>2020</u>	<u>2019</u>
Administrative and Accounting Expense (Continued):		
Administrative and General:		
Administrative and general salaries	\$ 52,524	\$ 50,068
Office supplies and other expense	14,735	16,560
Outside service employed	5,357	5,862
Property insurance	25,543	20,335
Liability insurance costs	26,694	27,269
Employees' pensions and benefits	165,665	176,365
Payment in lieu of tax	103,103	101,931
Regulatory Commission expense	908	922
Miscellaneous general expense	25,657	24,464
Maintenance of general plant	<u>8,374</u>	<u>9,998</u>
Total administrative and general	428,560	433,774
Administrative adjustments	303	16,812
Less administrative expense transferred	( 4,367)	( 8,124)
Net administrative and general	<u>424,496</u>	<u>442,462</u>
Total administrative and accounting expense	561,431	583,710
Provision for Depreciation	<u>205,457</u>	<u>203,980</u>
Total operating expenses	<u>\$ 1,304,030</u>	<u>\$ 1,323,799</u>

See accompanying independent auditor's report.

ATLANTIC MUNICIPAL UTILITIES  
ELECTRIC DEPARTMENT  
Comparative Statements of Income  
Year ended December 31,

	<u>2020</u>	<u>2019</u>
Operating Revenue:		
Sale of electricity	\$ 12,335,826	\$ 12,926,217
Other operating revenue	<u>929,072</u>	<u>895,963</u>
Total operating revenue	13,264,898	13,822,180
Operating Expenses (Not Including Depreciation)	<u>9,324,493</u>	<u>10,114,216</u>
Operating Income Before Depreciation	3,940,405	3,707,964
Provision for Depreciation	<u>1,412,533</u>	<u>1,475,000</u>
Operating Income	2,527,872	2,232,964
Non-Operating Revenues (Expenses), Net	<u>32,198</u>	<u>( 23,746)</u>
Net Income	<u>\$ 2,560,070</u>	<u>\$ 2,209,218</u>
Net Income as a Percent of Total Operating Revenue	<u>19.30%</u>	<u>15.98%</u>

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 11,619,597	\$ 9,607,739	\$ 9,224,984
<u>876,521</u>	<u>935,854</u>	<u>929,335</u>
12,496,118	10,543,593	10,154,319
<u>8,801,340</u>	<u>7,609,599</u>	<u>7,523,589</u>
3,694,778	2,933,994	2,630,730
<u>1,453,464</u>	<u>1,483,078</u>	<u>1,479,462</u>
2,241,314	1,450,916	1,151,268
<u>( 98,352)</u>	<u>( 173,441)</u>	<u>( 210,666)</u>
<u>\$ 2,142,962</u>	<u>\$ 1,277,475</u>	<u>\$ 940,602</u>
<u>17.15%</u>	<u>12.12%</u>	<u>9.26%</u>

ATLANTIC MUNICIPAL UTILITIES  
ELECTRIC DEPARTMENT  
Comparative Summaries of Electricity Distributed and Billed  
Year ended December 31,

	<u>2020</u>	<u>2019</u>
Sale of Electricity:		
Sales to consumers	\$ 12,756,367	\$ 13,070,390
Net MISO sales (purchases)	<u>( 420,541)</u>	<u>( 144,173)</u>
Total Electricity Sales	<u>\$ 12,335,826</u>	<u>\$ 12,926,217</u>
Kilowatt Hours:		
Generated	66,203,573	97,867,139
Purchased	82,777,854	85,247,819
Energy available	148,981,427	183,114,958
Station power/transmission loss	1,488,268	1,503,391
Available for sale	147,493,159	181,611,567
Net MISO sales (purchases)	<u>( 36,418,230)</u>	<u>( 6,379,306)</u>
Output to the system	183,911,389	187,990,873
Billed to consumers	179,415,779	182,943,698
Distribution loss	4,495,610	5,047,175
Distribution loss percent	2.4%	2.7%
Revenue Billed Per KWH to Consumers	7.11¢	7.14¢
Services Provided to the City:		
Street Lighting:		
Energy	\$ 98,385	\$ 96,095
Operation and maintenance	29,562	41,636
Depreciation	<u>28,726</u>	<u>33,653</u>
	156,673	171,384
Energy for public buildings, parks and other uses	<u>234,902</u>	<u>259,584</u>
	<u>\$ 391,575</u>	<u>\$ 430,968</u>
<u>Consumer Classifications</u>		
City Residential	3,256	3,261
City Small Non-Residential	599	606
City Large Non-Residential	30	30
Rural Residential	558	561
Rural Non-Residential	117	113
Area Lighting	326	326
City and Water Department	84	85
Industrial	<u>2</u>	<u>2</u>
Total number of consumers	<u>4,972</u>	<u>4,984</u>

See accompanying independent auditor's report.



<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 10,966,602	\$ 8,365,878	\$ 8,349,915
<u>652,995</u>	<u>1,241,861</u>	<u>875,069</u>
<u>\$ 11,619,597</u>	<u>\$ 9,607,739</u>	<u>\$ 9,224,984</u>
107,707,465	117,328,520	106,998,855
61,491,422	41,072,000	41,214,000
169,198,887	158,400,520	148,212,855
1,093,145	658,198	727,599
168,105,742	157,742,322	147,485,256
16,683,009	44,210,000	33,739,405
151,422,733	113,532,322	113,745,851
147,916,241	108,112,936	108,711,419
3,506,492	5,419,386	5,034,432
2.3%	4.8%	4.4%
7.41¢	7.74¢	7.68¢
\$ 91,941	\$ 88,823	\$ 82,308
34,294	35,755	21,112
<u>38,415</u>	<u>37,852</u>	<u>37,318</u>
164,650	162,430	140,738
<u>253,084</u>	<u>253,539</u>	<u>269,905</u>
<u>\$ 417,734</u>	<u>\$ 415,969</u>	<u>\$ 410,643</u>
3,246	3,268	3,265
597	597	601
30	31	29
561	557	557
113	117	112
327	324	318
87	87	85
<u>2</u>	<u>1</u>	<u>1</u>
<u>4,963</u>	<u>4,982</u>	<u>4,968</u>

ATLANTIC MUNICIPAL UTILITIES  
WATER DEPARTMENT  
Comparative Statements of Income  
Year ended December 31,

	<u>2020</u>	<u>2019</u>
Operating Revenue:		
Sale of water	\$ 1,391,155	\$ 1,292,512
Other operating revenue	<u>57,145</u>	<u>57,562</u>
Total operating revenue	<u>1,448,300</u>	<u>1,350,074</u>
Operating Expenses (Not Including Depreciation)	<u>1,098,573</u>	<u>1,119,819</u>
Operating Income Before Depreciation	349,727	230,255
Provision for Depreciation	<u>205,457</u>	<u>203,980</u>
Operating Income	144,270	26,275
Non-Operating Revenues (Expenses), Net	<u>13,604</u>	<u>22,274</u>
Net Income	<u>\$ 157,874</u>	<u>\$ 48,549</u>
Net Income as a Percent of Total Operating Revenue	<u>10.90%</u>	<u>3.60%</u>

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 1,351,825	\$ 1,330,567	\$ 1,295,566
60,329	63,053	61,033
<u>1,412,154</u>	<u>1,393,620</u>	<u>1,356,599</u>
<u>1,135,229</u>	<u>1,106,122</u>	<u>1,031,176</u>
276,925	287,498	325,423
<u>197,800</u>	<u>192,667</u>	<u>189,074</u>
79,125	94,831	136,349
<u>6,381</u>	<u>( 1,565)</u>	<u>696</u>
<u>\$ 85,506</u>	<u>\$ 93,266</u>	<u>\$ 137,045</u>
<u>6.06%</u>	<u>6.69%</u>	<u>10.10%</u>

ATLANTIC MUNICIPAL UTILITIES  
WATER DEPARTMENT  
Comparative Summaries of Water Pumped and Billed  
Year ended December 31,

	<u>2020</u>	<u>2019</u>
Total Revenue Billed	<u>\$ 1,391,155</u>	<u>\$ 1,292,512</u>
Gallorage:		
Pumped	309,331,000	280,282,000
Billed	244,153,160	227,565,668
Total system maintenance and loss	65,177,840	52,716,332
Accounted for losses*	18,699,417	12,882,327
Unaccounted for losses	46,478,423	39,834,005
Percent unaccounted for	15.03%	14.21%
Revenue Billed	57.0¢	56.8¢
Number of Consumers	3,350	3,354
Peak Day - Gallons Pumped	1,528,000	1,075,000
Services Provided to the City:		
Water for parks, disposal plant and public buildings	\$ 12,146	\$ 19,796
Operation and maintenance	51,369	42,148
Depreciation	<u>39,588</u>	<u>39,987</u>
	<u>\$ 103,103</u>	<u>\$ 101,931</u>

\* Includes water used in flushing mains, washing streets, fire department drills, fighting fires, and estimate of known main and customer service line breaks.

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>\$ 1,351,825</u>	<u>\$ 1,330,567</u>	<u>\$ 1,295,566</u>
291,373,000	283,318,000	268,342,000
240,005,426	241,723,960	230,269,092
51,367,574	41,594,040	38,072,908
14,899,048	15,676,566	12,083,397
36,468,526	25,917,474	25,989,511
12.52%	9.15%	9.69%
56.3¢	55.0¢	56.3¢
3,357	3,369	3,358
1,307,000	1,357,000	1,541,000
\$ 13,004	\$ 15,242	\$ 14,012
58,773	65,242	62,963
<u>40,339</u>	<u>40,816</u>	<u>40,211</u>
<u>\$ 112,116</u>	<u>\$ 121,300</u>	<u>\$ 117,186</u>

ATLANTIC MUNICIPAL UTILITIES  
Net Income Available For Debt Service  
Year ended December 31,

	<u>2020</u>	<u>2019</u>
<u>ELECTRIC DEPARTMENT</u>		
Net Income Per Financial Statements	\$ 2,560,070	\$ 2,209,218
Add:		
Depreciation	1,412,533	1,475,000
Interest on revenue notes	113,011	127,037
(Gain)/Loss on disposal of equipment	<u>( 9,790)</u>	<u>73,349</u>
Net Income Available For Debt Service	<u>\$ 4,075,824</u>	<u>\$ 3,884,604</u>
Maximum Debt Service in Any Year	<u>\$ 806,855</u>	<u>\$ 806,855</u>
Actual Coverage	<u>505%</u>	<u>481%</u>
Minimum Coverage Required	<u>125%</u>	<u>125%</u>

See accompanying independent auditor's report.

## COMMENTS AND RECOMMENDATIONS

# Gronewold, Bell, Kyhnn & Co. P.C.

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## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Trustees  
Board of Waterworks and  
Electric Light and Power Plant Trustees  
d/b/a Atlantic Municipal Utilities  
Atlantic, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Atlantic Municipal Utilities as of and for the years ended December 31, 2020 and 2019, and the related notes to financial statements, which collectively comprise the Utilities' basic financial statements, and have issued our report thereon dated March 4, 2021.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Atlantic Municipal Utilities' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Atlantic Municipal Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Atlantic Municipal Utilities' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Utilities' financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 20-I-A.



To the Board of Trustees  
Board of Waterworks and  
Electric Light and Power Plant Trustees  
d/b/a Atlantic Municipal Utilities

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Atlantic Municipal Utilities' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of non-compliance or other matter which is described in Part II of the accompanying Schedule of Findings and Responses.

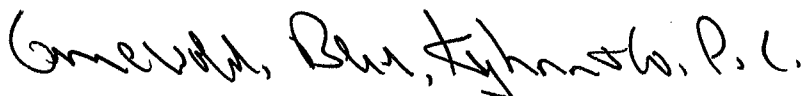
Comments involving statutory and other legal matters about the Utilities' operations for the year ended December 31, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Responses to Findings

Atlantic Municipal Utilities' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Atlantic Municipal Utilities' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Utilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Atlantic, Iowa  
March 4, 2021

ATLANTIC MUNICIPAL UTILITIES  
Schedule of Findings and Responses  
Year ended December 31, 2020

PART I - INTERNAL CONTROL DEFICIENCIES

20-I-A Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Utilities' financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The Utilities has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the Utilities' ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: We recognize that it may not be economically feasible for the Utilities to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Utilities to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

\* \* \*

ATLANTIC MUNICIPAL UTILITIES  
Schedule of Findings and Responses - Continued  
Year ended December 31, 2020

PART II - REQUIRED STATUTORY REPORTING

20-II-A Certified Budget: Disbursements during the year ended December 31, 2020 did not exceed amounts budgeted.

20-II-B Questionable Expenditures: During the audit, we noted no expenditures of the Utilities' funds without proper documentation of public purpose.

20-II-C Travel Expense: No expenditures of Utilities' money for travel expenses of spouses of Utilities' officials and/or employees were noted.

20-II-D Business Transactions: No business transactions between the Utilities and Utilities' officials and/or employees were noted.

20-II-E Restricted Donor Activity: No transactions were noted between the Utilities, Utilities officials, Utilities employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

20-II-F Bond Coverage: Surety bond coverage of the Utilities' officials and employees appears to be in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

20-II-G Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

20-II-H Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Utilities' investment policy.

20-II-I Revenue Notes: No violations of revenue note resolution requirements were noted.

20-II-J Economic Development: During the year ended December 31, 2020, the Utilities paid \$36,000 to the Cass Atlantic Development Corporation. The Utilities Board has documented the public benefits received from this expenditure, however, it is disclosed here for public information.

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses the specific criteria to be considered in documenting public purpose.

Recommendation: The Board should continue to evaluate and document the public purpose served by these expenditures before authorizing further payments.

Response: We will continue to evaluate and document the public purpose in the future.

Conclusion: Response accepted.

\* \* \*